

Message Text

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PAGE 01 USUN N 05757 310111Z

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E.O. 11652: N/A

TAGS: EGEN, UNGA, ECOSOC, UNDP

SUBJECT: 31ST UNGA- SECOND COMMITTEE ADOPTION OF RESOLUTION

A/C.2/31/L.2 UN DEVELOPMENT PROGRAM BORROWING AUTHORITY ON
NOV. 30

1. SUMMARY: DESPITE QUESTIONS OVER THE FINANCIAL IMPLI-
CATIONS AND PROCEDURES, THE SECOND COMMITTEE ADOPTED DRAFT
RESOLUTION A/C.2/31/L.2, UNDP BORROWING AUTHORITY. END SUMMARY.

2. DISCUSSING THE FINANCIAL AND ADMINISTRATIVE IMPLICA-
TIONS OF A/C.2/31/L.2, THE UN ASSISTANT CONTROLLER POINTED
OUT THAT, UNDER RESOLUTION 1341, THE UN SECRETARY GENERAL
WAS OBLIGED TO SEEK THE HIGHEST POSSIBLE INTEREST RATES FOR
RESOURCES TAKEN FROM UN TRUST FUNDS. SINCE THESE RATES COULD
BE HIGHER THAN THE RATES DRAFT RESOLUTION A/C.2/31/L.2 AL-
LOWED THE UNDP ADMINISTRATOR TO PAY FOR BORROWED FUNDS, THE
ASSISTANT CONTROLLER FEARED THE ESTABLISHMENT OF A TWO-TIER
STRUCTURE OF INTEREST RATES ON MONEY INVESTED FROM THE UN
TRUST FUNDS. (ONE RATE -- PRESUMABLY HIGHER -- FOR
FUNDS INVESTED IN FINANCIAL MARKETS AND THE OTHER LOWER RATE
OF INTEREST EARNED FROM FUNDS LENT TO THE UNDP.)

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PAGE 02 USUN N 05757 310111Z

3. THE UK DELEGATE AGREED THAT ANY TWO-TIER INTEREST RATE

STRUCTURE FOR UN TRUST FUNDS WAS OBJECTIONABLE. HE BELIEVED THAT THE UNDP WOULD BE UNABLE TO BORROW FUNDS AT RATES HIGHER THAN THOSE ALLOWED IN RESOLUTION A/C.2/31/L.2. AT THE SAME TIME, THE BRITISH DELEGATE FELT THAT THE UN SECRETARY GENERAL WAS OBLIGATED TO RECEIVE THE BEST RATES FOR TRUST FUND INVESTMENTS AS OUTLINED IN RESOLUTION 1341. HE, THEREFORE, THOUGHT THAT IF THE TWO INTEREST RATES WERE DIFFERENT, THAN THE UNDP COULD NOT BORROW FROM THE TRUST FUNDS AND THAT THERE WERE NO FINANCIAL IMPLICATIONS FROM RESOLUTION A/C.2/31/L.2.

4. WHILE AGREEING WITH THE BRITISH ASSESSMENT, THE ASSISTANT CONTROLLER WAS CONCERNED WITH THE POSSIBLE SITUATION WHERE TRUST FUND MONEY COULD BE AVAILABLE FOR LOAN TO THE UNDP, BUT THE LOAN WOULD NOT BE MADE DUE TO THE DIFFERING RATES OF INTEREST(THOSE AVAILABLE ON FINANCIAL MARKETS VERSUS THE RATE UNDP WAS ALLOWED TO PAY).

5. DESPITE THESE UNRESOLVED QUESTIONS, THE COMMITTEE CHAIRMAN PROPOSED -- AND WITH NO OBJECTION THE COMMITTEE ADOPTED -- THE RESOLUTION WITHOUT A VOTE.
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